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ARM Research | Weekly Call

Last week, the Nigerian equity market reversed the loss recorded in the previous trading week with the NSE ASI expanding slightly by 0.66% WoW to close at 32,540 pts. The positive performance largely reflected gains in ACCESS (+4.5%), FBNH (+5.5%), UBA (+8.1%), ZENITHBANK (+3.7%), WAPCO (+13.5%), DANGSUGAR (+5.8%), NESTLE (+2.2%) and SEPLAT (+2.5%). An overview of the sectorial performance showed that Banking (+2.4%), Food (+2.4%), Oil & Gas (+2.6%), Brewers (+0.03%) and Real Estate (+0.37%) sectors closed in the positive territory while Cement (-1.8%), Insurance (-2.3%) and Personal Care (-0.3%) closed in the red.

- **Zenith Bank Plc – STRONG BUY** (FVE: ₦35.25). Zenith Bank now looks very attractive following sell-off across the equity market. Zenith trades at a P/B of 0.7x, a discount to peer average of 0.9x. Strong valuation for zenith is premised on substantial decline in funding cost and improved asset quality.
- **First City Monument Bank Plc – BUY** (FVE: ₦2.34). We revise our FVE lower to ₦2.34 (previously: ₦3.38) following our expectation of negative loan growth, higher Non-Performing Loan, higher OPEX and a slightly lower Non-Interest Revenue (NIR) in 2018. That said, the key drivers for 2018 earnings remain strong NIR, lower funding cost and loan-loss provision.
- **Dangote Cement Plc – STRONG BUY** (FVE: ₦278.54). We expect Dangote Cement to sustain earnings growth over 2018, at faster pace than our earlier estimate. To be specific, we are now more positive on the write back of the tax provisions booked thus far.
- **Okomu Oil Plc – NEUTRAL** (FVE: ₦102.33). Okomu is our most preferred pick in the Palm oil sector, as 2018 presents opportunities for stronger growth in volumes, better operating efficiency, and lower finance cost which guides to improved earnings in 2018.
- **Forte Oil Plc – BUY** (FVE: ₦34.55). Our BUY rating on FO is premised on improvement in margins beyond 2018, hinged on expected upward adjustment in domestic PMS Price. Accordingly, we forecast gross margin to average 13.1% over our forecast horizon (vs 5-year historical average of 10.2%). Also, the finance cost is expected to drop significantly as the company was able to pay down over 50% of its long-term borrowing this year.
- **Seplat Petroleum Development Company Plc – STRONG BUY** (FVE: ₦975.27). The case for Seplat remains higher crude oil prices and volumes, unrecognized capital allowance, reserve accretion, higher receipt from crude oil lifted in OML 55 as well as the company's extended debt maturity profile which feeds into an improved cash position.

Please read our [Ratings](#), [Disclosure & Disclaimer](#) to understand how our analysts reach their recommendations.

Corporate Benefit Tracker

Last week

- The NSE suspended trading on shares of Skye Bank effective today, following the revocation of the company's license by CBN on Friday. Click [here](#) to read more.
- Resort Savings & Loans Plc announced it has executed a binding agreement of \$10 mn with Messers Milost Global Incorporation, in re-capitalizing the bank. In addition, the agreement contains a provision for immediate release of \$1 mn. Click [here](#) to read more.
- Mutual Benefits Assurance Plc has obtained the approval of the SEC to extend the closure date of its Rights Issue of 4 billion ordinary shares to 28th September, 2018. Click [here](#) to read more

This Week

- **Closure of Register:** Guinness Nigeria Plc, PZ Cussons Nigeria Plc.
- **Annual General Meeting:** University Press Plc, Fidson Healthcare Plc.
- **Dividend Payment:** Aluminium Extrusion Industries Plc, University Press Plc, Stanbic IBTC Holdings Plc, Fidson Healthcare Plc. Click [here](#) to view full corporate actions thus far in 2018

Stock Recommendation

Sectors/Stocks	Rating	FVE (₹)	Price (₹)	Upside	YTD Return	P/E FY 17(x)	P/E FY 18E (x)	P/B FY 17E (x)	P/B FY 18E (x)	FY 18E dividend yield
BANKING										
ACCESS	STRONG BUY	13.46	8.15	65.2%	-22.0%	3.8	3.7	0.8	0.7	5.4%
DIAMOND	NEUTRAL	1.39	1.22	13.8%	-18.7%	NA	NA	0.2	0.2	8.2%
ETI	SELL	16.54	18	-8.1%	5.9%	49.6	20.8	158.3	142.3	0.0%
FBNH	STRONG BUY	12.86	8.6	49.6%	-2.3%	3.9	5.9	0.3	0.5	3.5%
FCMB	BUY	2.34	1.76	33.1%	18.9%	3.9	3.7	0.3	0.3	5.7%
FIDELITY	BUY	3.08	1.65	86.5%	-32.9%	4.7	2.3	0.4	0.4	13.0%
GTB	STRONG BUY	49.02	34.7	41.3%	-14.8%	8.2	7.7	2.2	1.7	5.8%
STANBIC	STRONG BUY	55.00	42	31.0%	1.2%	10.2	8.9	2.7	2.4	7.2%
UBA	STRONG BUY	16.14	8	101.7%	-22.3%	4.8	4.4	0.7	0.7	12.4%
ZENITH	STRONG BUY	35.25	25.5	38.2%	-0.5%	4.9	4.4	1.1	1.0	12.5%
CEMENT										
CCNN	NEUTRAL	27.73	23.7	17.0%	149.5%	9.2	13.3	2.2	1.8	1.8%
DANGCEM	STRONG BUY	278.54	205	35.9%	-10.9%	21.0	13.7	5.5	5.2	6.2%
LAFARGE	NEUTRAL	27.94	23.5	18.9%	-47.6%	NA	NA	0.8	0.5	4.3%
BREWERIES										
GUINNESS	NEUTRAL	88.21	88	0.2%	-6.4%	86.1	22.3	3.9	2.2	1.9%
NB	STRONG BUY	118.76	93	27.7%	-31.1%	32.6	20.2	6.0	4.2	5.0%
AGRIC										
OKOMU	NEUTRAL	102.30	77.00	17.8%	13.8%	8.0	7.3	2.0	1.6	4.0%
PRESCO	BUY	72.03	60	20.1%	-12.4%	NA	7.4	1.2	1.8	2.7%
FOOD PRODUCERS										
DANG SUGAR	OVERWEIGHT	17.00	14.7	15.7%	-26.5%	6.0	6.4	2.6	1.7	8.2%
FLOURMILL	RESTRICTED	NA	20	NA	-31.0%	4.3	4.6	0.3	0.4	10.0%
NESTLE	SELL	1008.97	1400	-27.9%	-10.0%	36.6	25.0	27.5	24.7	4.0%
UACN	BUY	16.44	11.8	39.3%	-30.2%	13.4	8.1	0.4	0.3	4.9%
PERSONAL CARE										
PZ	BUY	16.57	13.50	22.7%	17.6%	25.3	53.4	1.9	2.1	1.1%
UNILEVER	SELL	36.21	43	-15.8%	4.9%	23.0	20.9	2.3	2.9	1.4%
OIL & GAS										
FORTE OIL	BUY	34.35	21.5	59.8%	-50.6%	1.9	5.4	0.9	0.8	NA
MRS	BUY	39.20	28.55	37.3%	4.0%	5.2	51.4	0.4	0.4	NA
SEPLAT	STRONG BUY	975.27	622	56.8%	-0.7%	3.8	4.0	0.7	0.6	NA
TOTAL	NEUTRAL	201.23	189.7	6.1%	-17.5%	8.0	14.5	2.5	2.5	5.1%

* 'UR' means Under review